

For immediate release  
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## FY 2018 Sales: confirming the return to growth

- Sales for H2 were €86.2m (+5.7%), for overall 2018 revenue of €139.4m (+3.1%)
- Licensing picked up significantly (+5.6%) in H2, supported by a broad installed base and a favorable automotive market in Europe.
- The focus of sales activities on key accounts yields salient results, driven by major strategic contracts

ESI Group, Paris, France, (Code ISIN: FR0004110310, Symbol: ESI), is publishing sales results for Q4, which ended on 31 January 2019, as approved by the Board of Directors on 6<sup>th</sup> of March 2019.

Total Sales (€m)	Licenses	Services	Total
2017	105.7	29.5	135.3
<b>2018</b>	<b>109.8</b>	<b>29.6</b>	<b>139.4</b>
<i>Δ at current exchange rate</i>	+3.9%	+0.1%	+3.1%
<i>Δ at constant exchange rate</i>	+4.8%	+0.8%	+3.9%
Q4 2017	49.0	7.6	56.6
<b>Q4 2018</b>	<b>49.9</b>	<b>8.3</b>	<b>58.2</b>
<i>Δ at current exchange rate</i>	+1.8%	+9.4%	+2.8%
<i>Δ at constant exchange rate</i>	+1.0%	+8.2%	+2.0%
H2 2017	66.7	14.8	81.5
<b>H2 2018</b>	<b>70.4</b>	<b>15.7</b>	<b>86.2</b>
<i>Δ at current exchange rate</i>	+5.6%	+6.3%	+5.7%
<i>Δ at constant exchange rate</i>	+4.9%	+5.2%	+4.9%

### A return to growth

As anticipated, ESI Group has returned to the path of growth in 2018, as part of its ongoing commercial and operational transformation. The company closed out the year with revenues of €139.4m (+3.1%), following Q4 sales of €58.2 (+2.8%). Annual growth was +3.9% adjusted for Forex fluctuations (-€1.2m) associated with the falling value of 3 currencies (the US Dollar, Japanese Yen, and Indian Rupee).

The Licensing activity is the mainstay of ESI's business model, representing 79% of annual sales at €109.8m (+3.9%). Primarily comprised of yearly licenses, which are for a large part billed at the end of the year, this business brought in €49.9m (+1.8%) for Q4, a good performance considering the early signing of the €1.7m renewal contract in the 3<sup>rd</sup> quarter, and €70.4m for H2 (+5.6%).

The FY18 Licensing activity consists of:

- i. Repeat business (€92.2m), (renewal and add-ons) representing 84% of the licensing revenues and generating significant recurring business (87.2%).
- ii. New business (new customers or new solutions at existing customers) (€17.6m), representing 16% of total Licensing revenues.

The Services (Consulting) activity combines various services, from industrial and advanced application studies, to R&D projects and training. The significant upturn in business during the second half (+6.3%) at €15.7m was driven by the global momentum of some major European companies, particularly in the French automotive, aeronautics and energy industries. Overall, sales for the Services division remained steady at €29.6m (+0.1%), for a 21% share of total annual revenues.

A glance at the geographic distribution of revenue highlights the strong performance of the EMEA region, which at €68.8m accounted for 49.4% of the total, up 7.9% vs last year, and moved ahead in the mix as compared to Asia (35.7%) and the Americas (14.9%), which decreased slightly to €49.8m (-0.4%) and €20.8m (-3.3%) respectively. The global momentum is due to the strategic focus on key accounts, resulting in a +12% volume increase among the 20 largest ones, in particular driven by big contracts with the European industry: Automakers (Volkswagen Group, Renault, etc.), Energy (Framatome, EDF), Aeronautics (Safran). These global Top 20 clients represent 45% of the total amount of bookings. The Transportation (inc. Automotive) industry this year represents 57% of total sales.

## 2018, an ongoing transformation

A technological and digital revolution is transforming industry worldwide, opening countless new possibilities for design, manufacturing and asset management, straining the traditional ways of evaluating performance that still heavily rely on real (hardware) tests and prototypes. Companies have no choice but to digitize their product development and performance evaluation, not only for pre-certification but increasingly for the asset in-Service. This is the most critical facet of the digitization of industry (Industry 4.0, Smart Factory).

Standing on nearly five decades of pioneer experience in virtual prototyping and sustained investments in advanced technologies, ESI Group is ideally positioned to enable this major disruptive change among OEMs, their suppliers and the owners of fleets of industrial assets – whether incumbents or new players. ESI has a unique technology stack and credibility to offer the *Product Performance Lifecycle™* (PPL) platform, which brings the ability to evaluate the outcome at any stage in the asset's life, new or used and integrated in its operational environment. Anchored on the concept of the *Hybrid Twin™*, a new frontier is created in simulation that combines sophisticated causal models from virtual prototyping with guidance on what sensor data to collect and process so as to be able to track performance practically in real time and unlock the benefits of predictive maintenance and reduced down time.

Cristel de Rouvray, ESI Group's CEO, comments: *"The ESI narrative resonates deeply with our strategic customers who are increasing their use of our solutions, as seen in their higher growth in our FY18 revenue. This gives them perspective to choose ESI as their long-term partner, as we transform from selling products to solutions (combinations of several products and services) defined by a proven value proposition to achieve 'zero real tests and zero real prototypes'. Immediate benefits are of course enormous savings in time and money while accelerating innovation, but the long-term stakes are to help our innovating customers meet growing complexity in technology and regulations while increasing confidence that the asset will perform throughout its whole lifecycle."*



### Upcoming dates

2018 Annual results  
15 April 2019

Q1 2019 Results  
28 May 2019

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### About ESI Group

ESI Group is a leading innovator in Virtual Prototyping software and services. Specialist in material physics, ESI has developed a unique proficiency in helping industrial manufacturers replace physical prototypes by virtual prototypes, allowing them to virtually manufacture, assemble, test and pre-certify their future products. Coupled with the latest technologies, Virtual Prototyping is now anchored in the wider concept of the Product Performance Lifecycle™, which addresses the operational performance of a product during its entire lifecycle, from launch to disposal. The creation of a Hybrid Twin™, leveraging simulation, physics and data analytics, enables manufacturers to deliver smarter and connected products, to predict product performance and to anticipate maintenance needs.

ESI is a French company listed in compartment B of NYSE Euronext Paris. Present in more than 40 countries, and addressing every major industrial sector, ESI Group employs about 1200 high-level specialists around the world and reported annual sales of €139 million in 2018.

For further information, go to [www.esi-group.com](http://www.esi-group.com).

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